

**Statement by Roland S. Harris III,  
General Manager, IBM Global Services, Public Sector**

**Before**

**The Commercial Activities Panel  
Public Hearing - August 15, 2001**

Mr. Chairman and members of the panel, thank you for the opportunity to appear before you this afternoon to talk about the Office of Management and Budget (OMB) Circular A-76. I am Roland Harris, the IBM Global Services General Manager responsible for the business development and contract performance of the public sector in the Americas.

All government organizations are facing both external and internal forces that make change inevitable. External forces such as new work force demographics; changing expectations about quality, productivity, and customer satisfaction; and new technologies are dramatically affecting the operating environment in organizations worldwide. Internally, financial constraints, the requirement to do more with less, cross functional teams, and empowered workers all affect organizations' abilities to compete and survive. Citizens' needs and expectations have changed. Citizens are asking for better, faster, and more economical services. The private sector has recognized similar customers' needs and expectations, and in order to survive in the global competition, has been forced to make customers' satisfaction a first priority in their missions. Public organizations have started to recognize this, but in a much slower pace than the private sector.

The US Government has a mandate to transform its business processes utilizing the state of the art Internet, e-business technologies available in today's marketplace. This transformation is necessary in order to increase the efficiency of the Governments' information technology (IT) infrastructure to enable it to provide better, faster services to its customers - US citizens, businesses and other governments. Migrating to e-business technologies and processes is extraordinarily complex. Make no mistake about that. However, the technology exists, is proven and has been successfully utilized by the private sector to achieve for its requirements precisely what the Government must now accomplish for itself.

Unfortunately, however, Government Agencies, in their attempts to engage the private sector to facilitate this highly complex, technology driven transformation, must first participate in the expensive, lengthy, time consuming and often arbitrary process required by OMB Circular A-76 to determine if the private sector should be utilized at all. Time and time again, private sector companies have turned to the IT industry to accomplish the critical transformation required in their IT infrastructure and processes rather than attempt to do it themselves. This is a recognition that their core competency lies not in IT products and skills, and that they are better served by turning that transformation over to the IT sector, which has proven its ability in this arena.

Indeed, A-76 might be appropriate for those service contracts/opportunities where “best value” equates to low cost. However, this model clearly is not descriptive of how to measure “best value” in IT infrastructure and applications necessary to transform agency processes. Once viewed as simply a tool for reducing IT costs, contracting out - running the gambit from desk top management to system integration all the way to total outsourcing - is today evolving to encompass strategically focused, comprehensive management of critical business processes, including the transformation to e-government.

As in the private sector, the business need of the Government in providing better service to its citizens while increasing the efficiency of its IT infrastructure has the following characteristics: the need to accelerate delivery of value-rich offerings and services, the need to strengthen links with partners, suppliers and customers, the need to close skill and knowledge gaps and the need to speed e-business initiatives.

I believe there is an opportunity for the agencies to leverage the private sector’s uniquely qualified capabilities to accomplish the mission at hand. By engaging the private sector, the Government can avoid the up front capital investment required to accomplish these transformations. For example, in the recently awarded Navy Marine Corps Intranet contract, the enormous front-end capital investment made by the vendor to provide network capability will only be recovered through monthly service payments by the Navy. On this model, the Government avoids paying directly for that investment. Additionally, utilization of technology refresh requirements allows the Government to assure technology currency without the burden of inventory management or contract modifications.

As I stated earlier, the source selection criteria of A-76 competitions results in the selection of the low cost solution. The overriding beneficial best value impact of IT transformation however, is not the initial cost of the IT services contract, but rather the overall collateral savings achieved through increased efficiencies. For example, the utilization of commercially available supply chain management technologies for the Army Wholesale Logistics Modernization program should result in enormous collateral warehouse savings due to just in time delivery processes as well as greater assurance of the availability of critical supplies when required.

Additionally, the private sector has the capability to absorb, train and utilize Government employees just as it does in the private sector. IBM spends approximately \$100M annually to keep its workforce technologically current. This is required to remain competitive and is an investment, not a benefit.

Finally, I believe that the Government will simply not be able to compete with the private sector in recruiting and retaining IT skills. Nor do I think it should. Rather, the government would be best served by hiring a core competency of highly qualified IT professionals to acquire and manage IT services, relying on the private sector for the actual implementation of those services for all the reasons stated. To subject these critical IT transformation services to public- private competitions introduces unaffordable delays using the wrong selection criteria.

Thank you for this opportunity and I'd be happy to take your questions.